

Notice. Instructions for how to complete Indiana's Earned Income Credit may be found in the [IT-40](#) and [IT-40PNR](#) instruction booklets, pages 27 and 31, respectively. While the complete Publication EIC is not yet available, on the next pages you will find the three worksheets referenced within those instructions.

- Worksheet 1: Investment Income If You Are Filing Federal Form 1040
- Worksheet 2: Worksheet for Line 4 of Worksheet 1
- Worksheet 3: Modified AGI if you are filing federal Form 1040

Please check back periodically for the posting of the final Publication EIC.

Worksheet 1: Investment Income If You Are Filing Federal Form 1040

Use this worksheet to figure investment income for the earned income credit when you file federal Form 1040.

Interest and Dividends

1. Enter any amount from Form 1040, line 8a. 1. _____
2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b. 2. _____
3. Enter any amount from Form 1040, line 9a. 3. _____
4. Enter the amount from Form 1040, line 21, that is from Form 8814 if you are filing that form to report your child's interest and dividend income on your return. (If your child received an Alaska Permanent Fund dividend, use Worksheet 2, on the next page, to figure the amount to enter on this line. 4. _____

Capital Gain Net Income

5. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter 0. 5. _____
6. Enter any gain from Form 4797, Sales of Business Property, line 7. If the amount on that line is a loss, enter 0. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9 instead.) 6. _____
7. Subtract line 6 of this worksheet from line 5 of this worksheet. (If the result is less than zero, enter 0.) 7. _____

Royalties and Rental Income from Personal Property

8. Enter any royalty income included on federal Schedule E, line 4, plus any income from the rental of personal property shown on Form 1040, line 21. 8. _____
9. Enter any expenses from Schedule E, line 20, related to royalty income, plus any expenses from the rental of personal property deducted on Form 1040, line 36. 9. _____
10. Subtract the amount on line 9 of this worksheet from the amount on line 8. (If the result is less than zero, enter 0.) 10. _____

Passive Activities

11. Enter the total of all net income or losses from qualified joint ventures that are passive activities with rental real estate income reported on your (and your spouse's) Schedule C, line 31, or Schedule C-EZ, line 3, but not included in net earnings from self-employment. Do not include this amount on line 12 or 13 below. 11. _____
12. Enter the total of any net income from passive activities (such as income included on Schedule E, line 26, 29a (col. (g)), 34a (col. (d)), or 40). (See instructions below for lines 12 and 13.) Do not include any amount you included on line 11 above. 12. _____
13. Enter the total of any losses from passive activities (such as losses included on Schedule E, line 26, 29b (col. (f)), 34b (col. (c)), or 40). (See instructions below for lines 12 and 13.) Do not include any amount you included on line 11 above. 13. _____
14. Combine the amounts on lines 11, 12, and 13 of this worksheet. (If the result is less than zero, enter 0.) 14. _____
15. Add the amounts on lines 1, 2, 3, 4, 7, 10, and 14. Enter the total. **This is your Investment Income.** 15. _____
16. Is the amount on line 15 more than **\$3,150**?
Yes. STOP. You cannot take the credit.
No. Go to the Form IT-40 or IT-40PNR instruction booklet (www.in.gov/dor/4546.htm). Find the instructions for line 5 of Schedule 5: Credits (IT-40PNR Schedule F); go to Step 3 to find out if you can take the credit.

Instructions for lines 12 and 13. In figuring the amount to enter on lines 12 and 13, do not take into account any royalty income (or loss) included on line 26 of Schedule E or any amount included in your earned income.

Worksheet 2: Worksheet for Line 4 of Worksheet 1

Complete this worksheet only if federal Form 8814 includes an Alaska Permanent Fund dividend.

Note. Fill out a separate Worksheet 2 for each Form 8814.

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|---|-----------|
| 1. Enter the amount from Form 8814, line 2a. | 1. _____ |
| 2. Enter the amount from Form 8814, line 2b. | 2. _____ |
| 3. Subtract line 2 from line 1. | 3. _____ |
| 4. Enter the amount from Form 8814, line 1a. | 4. _____ |
| 5. Add lines 3 and 4. | 5. _____ |
| 6. Enter the amount of the child's Alaska Permanent Fund dividend. | 6. _____ |
| 7. Divide line 6 by line 5. Enter the result as a decimal (rounded to at least three places). | 7. _____ |
| 8. Enter the amount from Form 8814, line 12. | 8. _____ |
| 9. Multiply line 7 by line 8. | 9. _____ |
| 10. Subtract line 9 from line 8. Enter the result on line 4 of Worksheet 1. | 10. _____ |

(If filing more than one Form 8814, enter on line 4 of Worksheet 1 the total of the amounts on line 10 of all Worksheets 2.)

Worksheet 3: Modified AGI if you are filing federal Form 1040

Enter losses as **positive amounts** (except for lines 7, 8, and 9). For example, if your AGI (federal Form 1040, line 37) is \$10,000 and you have a \$1,000 capital loss from the sale of stock (federal Form 1040, line 13), you will enter \$10,000 on line 1 of this worksheet and \$1,000 on line 3. If you do not have to enter any other amounts, your modified AGI is \$11,000 (\$10,000 + \$1,000).

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|---|-------------------------------|--|
| 1. Enter the amount from federal Form 1040, line 37. | 1. _____ | |
| 2. Enter any amount from federal Form 1040, line 8b, plus any amount on Form 8814, line 1b. | 2. _____ | |
| 3. Enter the amount of any loss claimed on federal Form 1040, line 13.
(If the amount on Form 1040, line 13, is a gain, enter zero.) | 3. _____ | |
| 4. Enter the nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution (any part of the distribution that you did not report on lines 15b or 16b of federal Form 1040), except any amount that is nontaxable because it was a trustee-to-trustee transfer or a roll-over distribution. (Do not enter any amount that was from a Coverdell ESA. See Special instructions for clergy, prison inmates, deferred compensation plans, and Coverdell ESAs, later.) | 4. _____ | |
| 5. Enter the amount of any loss claimed on federal Form 1040, line 12. (If the amount on Form 1040, line 12, is a gain, enter zero.) (See instructions below for line 5.) | 5. _____ | |
| 6. Enter the amount of any loss claimed on federal Form 1040, line 18.
(If the amount on Form 1040, line 18, is a gain, enter zero.) | 6. _____ | |
| 7. Enter the amount of any rental real estate income (or loss) included on federal Schedule E, line 26. (See instructions below for lines 7, 8, and 9.) | 7. _____ | |
| 8. Enter the amount from federal Schedule E, line 32.
(See instructions below for lines 7, 8, and 9.) | 8. _____ | |
| 9. Enter the amount from federal Schedule E, line 40.
(See instructions below for lines 7, 8, and 9.) | 9. _____ | |
| 10. Combine the amounts on lines 7, 8, and 9. If the result is a loss, enter it here.
If the result is a gain, enter zero. (See instructions below for line 10.) | 10. _____ | |
| 11. Add the amounts on lines 5, 6, and 10 of this worksheet. Enter the result. | 11. _____ | |
| 12. Multiply the amount on line 11 of this worksheet by 75% (0.75). Enter the result. | 12. _____ | |
| 13. Enter the amount of any loss claimed on federal Schedule E, line 37. | 13. _____ | |
| 14. Enter any income from the rental of personal property shown on federal Form 1040, line 21, plus any royalty income included on federal Schedule E, line 4. | 14. _____ | |
| 15. Enter any expenses from the rental of personal property deducted on federal Form 1040, line 36, plus any expenses from federal Schedule E, line 20 related to royalty income. | 15. _____ | |
| 16. Subtract the amount on line 15 of this worksheet from the amount on line 14.
If the result is a loss, enter it here. If the result is a gain, enter zero. | 16. _____ | |
| 17. Add the amounts on lines 1, 2, 3, 4, 12, 13, and 16 of this worksheet. Enter the total. | Modified AGI 17. _____ | |

If you have:

- 2 or more qualifying children, is line 17 less than \$40,950?
- 1 qualifying child, is line 17 less than \$36,050?
- No qualifying children, is line 17 less than \$13,550?

Yes. Go to the Form IT-40 or IT-40PNR instruction booklet (www.in.gov/dor/4546.htm). Find the instructions for line 5 of Schedule 5: Credits (IT-40PNR Schedule F); go to Step 6 to find out if you can take the credit.

No. Stop.

You cannot take the credit.

Line 5 instructions. If you have a business loss on line 12 of federal Form 1040, enter the amount of the loss on line 5 of this worksheet. Do this even if that loss amount is the result of combining gains and losses from more than one federal Schedule C.

Example. You have two federal Schedules C. One shows a \$2,000 gain. The other shows a \$10,000 loss. You enter the net loss of \$8,000 on line 12 of federal Form 1040 and on line 5 of this worksheet.

Lines 7, 8, and 9 instructions. These lines are an exception to the rule that all amounts on the worksheet must be positive amounts. On these lines, enter any loss by enclosing it in parentheses.

Line 10 instructions. Combine the amounts on lines 7, 8, and 9 to arrive at the amount on line 10. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$3,500) on line 9, enter the loss of \$500 as a positive figure on line 10. But if the result of combining lines 7, 8, and 9 is a gain, enter zero. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$2,500) on line 9, enter zero on line 10.